

**OTC PINK BASIC DISCLOSURE GUIDELINES**

**Pursuant to Rule 15c2-(11) (a) (5)  
Under the Securities Exchange Act of 1934**

**BAGGER DAVE'S BURGER TAVERN, INC.**

**A Nevada Corporation**

**807 W Front St., Suite B  
Travers City, MI 49684  
(231) 486-0527  
www.baggerdaves.com**

**CUSIP No: 056646-12**

**ANNUAL REPORT  
FOR THE PERIOD ENDING DECEMBER 30, 2018**

Indicate by check mark whether the company is a shell company (as defined in Rule 405 of the Securities Act of 1933 and Rule 12b-2 of the Exchange Act of 1934):

Yes:  No:

Indicate by check mark whether the company's shell status has changed since the previous reporting period:

Yes:  No:

Indicate by check mark whether a Change in Control of the company has occurred over this reporting period:

Yes:  No:

As of December 30, 2018, the number of shares outstanding of our Common Stock was:

27,078,293

As of December 30, 2018, the number of shares outstanding of our Preferred Stock was:

None.

**Item 1. Name of Issuer and its Predecessors (if any)**

Bagger Dave's Burger Tavern, Inc. owns and operates nine restaurants in Michigan, Ohio and Indiana.

The Company was spun-off from Diversified Restaurant Holdings, Inc. on December 25, 2016 via a one-for-one distribution of common shares in Bagger Dave's to DRH shareholders of record on December 19, 2016.

The Company was incorporated in Nevada on May 27, 2016, and it is currently in active status with the State of Nevada.

**Item 2. – Security Information**

Trading Symbol: BDVB

Exact title and class of securities outstanding:

CUSIP: 056645-12

Par or stated value: \$0.001

Total Shares authorized: Common stock 100,000,000; Preferred Stock 10,000,000 as of December 30, 2018

Total Shares outstanding: Common Stock: 27,078,293 as of December 30, 2018

Preferred Stock: Nil issued and outstanding as of December 30, 2018

Number of Shares in the Public Float: 14,235,243 as of December 30, 2018

Transfer Agent

Island Stock Transfer

15500 Roosevelt Blvd., Suite 301

Clearwater, FL 33760

Phone: (727) 289-0010

E-mail: lzheng@islandstocktransfer.com

Island Stock Transfer is registered under the Exchange Act and is an SEC approved Transfer Agent.

There are no trade suspension orders issued by the SEC in the past 12 months.

### Item 3. Issuance History Changes to the Number of Outstanding Shares

No shares were issued during 4<sup>th</sup> Quarter ended December 30, 2018.

Number of Shares outstanding as of 12/26/2016	<u>Opening Balance:</u> Common: 27,066,894 Preferred: 0								
Date of Transaction	Transaction type (e.g. new issuance, cancellation, shares returned to treasury)	Number of Shares Issued (or cancelled)	Class of Securities	Value of shares issued (\$/per share) at Issuance	Were the shares issued at a discount to market price at the time of issuance? (Yes/No)	Individual/ Entity Shares were issued to (entities must have individual with voting / investment control disclosed).	Reason for share issuance (e.g. for cash or debt conversion) OR Nature of Services Provided (if applicable)	Restricted or Unrestricted as of this filing?	Exemption or Registration Type?
5/22/17	New Issuance	230,833	Common	.19	No	Employees	Incentive Program	Unrestricted	S-8
4/15/18	Purchased by Reverse Split	219,434	Common	.31	N/A	Individuals	N/A	Unrestricted	Form 10
Shares Outstanding on 12/30/18	<u>Ending Balance:</u> Common: 27,078,293 Preferred: 0								

### Item 4. Financial Statements

The Unaudited Financial Statements for the fiscal year ended December 30, 2018 with corresponding notes were prepared in accordance with U.S. GAAP and are attached to this report. These financial statements for this reporting period were prepared by Mr. David Ligotti; included in the Financial Statements are the following:

- |   |                                     |
|---|-------------------------------------|
| 1. Balance Sheets (unaudited)           | Fiscal year ended December 30, 2018 |
| 2. Statements of Operations (unaudited) | Fiscal year ended December 30, 2018 |
| 3. Notes to Financial Statements        | Fiscal year ended December 30, 2018 |

## **Item 5. Description of the Issuer's Business, Products and Services.**

- A.** Bagger Dave's concept first restaurant opened in January 2008 in Berkley, Michigan. There are nine Bagger Dave's restaurants in operation, six in Michigan, one in Indiana and two in Ohio. Bagger Dave's owns all rights related to the Bagger Dave's concept.

Bagger Dave's is a unique, full-service restaurant and bar concept. We have worked to create a concept that provides a warm, inviting and entertaining atmosphere through a friendly and memorable guest experience with great fresh food prepared with local ingredients.

- B.** Company was incorporated in Nevada on May 27, 2016
- C.** The primary SIC Code for the Company is 5812 – Eating Places
- D.** The Issuer's 2018 fiscal year end was December 30, in 2019 it will be December 29<sup>th</sup>
- E.** Bagger Dave's specializes in locally-sourced, fresh prime rib recipe burgers, all-natural lean turkey burgers, hand-cut fries, locally crafted beers on draft, hand-dipped milk shakes, salads, black bean turkey chili and much more, delivered in a warm, hip atmosphere with friendly "full" service. The concept differentiates itself from other full-service casual dining establishments by the absence of walk-in freezers and microwaves, substantiating our fresh food offerings. The concept focuses on local flair of the city in which the restaurant resides by showcasing historical photos. Running above the dining room and bar, the features an electric train; a feature which was the genesis of Bagger Dave's logo.

## **Item 6. Description of the Issuer's Facilities**

Bagger Dave's Burger Tavern, Inc. owns and operates nine restaurants located at the following addresses :

2972 Coolidge Highway, Berkley, Michigan 48072  
8827 Main Street, Birch Run, Michigan 48415  
2817 Kraft Avenue SE, Cascade Twp, Michigan 49512  
5299 Cornerstone North Blvd., Centerville, Ohio 45458  
50570 Gratiot Avenue, Chesterfield Twp., Michigan 48051  
2886 E. Dupont Road, Fort Wayne, Indiana 46825  
8235 Trillium Circle Avenue, Grand Blanc, Michigan 48439  
26054 Novi Road, Novi, Michigan 48375  
9421 Civic Centre Blvd., West Chester, Ohio 45069

All nine restaurants are leased, and locations generally range 4,000-4,900 square feet.

The Company's lease terms generally include renewal options, and frequently require us to pay a proportionate share of real estate taxes, insurance, common area maintenance, and other operating costs. Some restaurant leases provide for contingent rental payments based on sales thresholds.

See footnote nine Operating Leases for further lease liability disclosure.

The Company home office is located at 807 W. Front Street, Suite B, Traverse City, Michigan 49684. This office is approximately 500 sq. feet of floor space.

## Item 7. Officers, Directors and Control Persons

### A. Names of Officers, Directors and Control Persons

- T. Michael Ansley – Chairman, President, CEO and controlling shareholder
- Shawn Lilly – Director
- David Fisher – Director

### B. Beneficial Shareholders (with holding over 5%)

Shareholder	City, State	Number of Shares	% Ownership
T. Michael Ansley	Traverse City, MI	11,107,438	41.02%

## Item 8. Legal/Disciplinary History

A. None of the persons listed above have, in the past 10 years, been the subject of:

- A conviction in a criminal proceeding or named as a defendant in a pending criminal proceeding (excluding traffic violations and other minor offenses);
- The entry of an order, judgment, or decree, not subsequently reversed, suspended or vacated, by a court of competent jurisdiction that permanently or temporarily enjoined, barred, suspended or otherwise limited such person's involvement in any type of business, securities, commodities, or banking activities;
- A finding or judgment by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission, the Commodity Futures Trading Commission, or a state securities regulator of a violation of federal or state securities or commodities law, which finding, or judgment has not been reversed, suspended, or vacated; or
- The entry of an order by a self-regulatory organization that permanently or temporarily barred, suspended, or otherwise limited such person's involvement in any type of business or securities activities.

B. There are no material pending legal proceedings.

## Item 9. Third Party Providers

### Legal Counsel

Richard W. Jones  
Jones & Haley, P.C.  
750 Hammond Drive  
Atlanta, Georgia 30328-6723  
Phone: 770-804-0500  
E-mail: [jones@corplaw.net](mailto:jones@corplaw.net)

Accountant or Auditor

David Ligotti  
Oakwood Business Services, LLC  
555 Briarwood Circle, Suite 150  
Ann Arbor, MI 48108  
Phone: (734) 327-0300, ext. 101  
Fax: (734) 327-1330  
E-mail: [dave@oakwoodsolutions.com](mailto:dave@oakwoodsolutions.com)

Other Advisors

N/A

**Item 10. Issuer Certificates.**

I, T. Michael Ansley, certify that:

1. I have reviewed this annual disclosure statement of Bagger Dave's Burger Tavern, Inc.
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and,
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

Date: March 20, 2019

/s/ T. Michael Ansley

T. Michael Ansley  
CEO, President and Chairman

**BAGGER DAVE'S BURGER TAVERN, INC**  
**CONSOLIDATED BALANCE SHEETS (UNAUDITED)**

	December 30, 2018 (Unaudited)	December 31, 2017
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 496,328	\$ 864,239
Accounts receivable	144,962	65,232
Inventory	137,378	245,728
Prepaid assets	21,273	81,469
<b>Total current assets</b>	<b>799,940</b>	<b>1,256,668</b>
Property and equipment, net	7,569,831	9,344,466
Intangible assets, net	242,995	561,443
Other Long Term Assets	0	0
<b>Total assets</b>	<b>\$ 8,612,766</b>	<b>\$ 11,162,576</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 270,228	\$ 541,273
Accrued compensation	112,203	183,590
Other accrued liabilities	236,687	560,609
Current portion of deferred rent	37,603	77,179
<b>Total current liabilities</b>	<b>656,721</b>	<b>1,362,651</b>
Deferred rent, less current portion	505,592	884,014
Other liabilities, less current portion	317,147	350,708
Deferred Tax Liabilities	34,706	54,621
<b>Total liabilities</b>	<b>1,514,166</b>	<b>2,651,994</b>
<b>Commitments and contingencies (Notes 8 and 9)</b>		
<b>Stockholders' equity</b>		
Common stock \$.0001 par value; 100,000,000 shares authorized; 27,078,293 outstanding as of December 30, 2018 and 27,045,390 shares issued and outstanding at December 31, 2017	2,708	2,691
Additional paid-in capital	8,371,826	15,292,498
Retained deficit	(1,343,958)	-6,784,606
Treasury Stock	68,025	-
<b>Total stockholders' equity</b>	<b>7,098,601</b>	<b>8,510,583</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 8,612,766</b>	<b>\$ 11,162,576</b>

**BAGGER DAVE'S BURGER TAVERN, INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)**

	Three Months Ended		Twelve Months Ended	
	December 30, 2018	December 31, 2017	December 30, 2018	December 31, 2017
<b>Revenue</b>	\$ 2,576,170	\$ 4,089,288	\$ 10,563,033	\$ 17,775,181
<b>Operating expenses</b>				
Restaurant operating costs (exclusive of depreciation and amortization shown separately below):				
Food, beverage, and packaging costs	734,322	1,169,342	3,056,108	5,170,163
Compensation costs	929,293	1,463,477	3,989,858	6,701,712
Occupancy costs	256,873	416,925	679,082	1,831,533
Other operating costs	543,527	761,524	2,545,471	3,798,353
General and administrative expenses	87,969	716,244	595,544	2,210,915
Pre-opening costs	-	-	-	-
Depreciation and amortization	444,837	402,403	1,779,338	1,853,610
Impairment and (gain) loss on disposal of property and equipment	31,190	430,511	(478,652)	2,998,699
<b>Total operating expenses</b>	<b>3,028,011</b>	<b>5,360,426</b>	<b>12,166,748</b>	<b>24,564,984</b>
<b>Operating loss</b>	<b>(451,841)</b>	<b>(1,271,138)</b>	<b>(1,603,715)</b>	<b>(6,789,803)</b>
Other income, net	187,273	3,288	241,005	59,818
<b>Loss before income taxes</b>	<b>(264,568)</b>	<b>(1,267,850)</b>	<b>(1,362,710)</b>	<b>(6,729,985)</b>
Provision for income taxes	(5,328)	(24,684)	(18,752)	54,621
<b>Net loss from continuing operations</b>	<b>\$ (259,240)</b>	<b>\$ (1,243,165)</b>	<b>\$ (1,343,958)</b>	<b>\$ (6,784,606)</b>
Basic loss per share	\$ (0.01)	\$ (0.05)	\$ (0.05)	\$ (0.25)
Fully diluted loss per share	\$ (0.01)	\$ (0.05)	\$ (0.05)	\$ (0.25)
<b>Weighted average number of common shares outstanding</b>				
Basic	27,078,293	27,297,727	27,277,426	27,045,390
Diluted	27,078,293	27,297,727	27,277,426	27,045,390



**BAGGER DAVE'S BURGER TAVERN, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOW (UNAUDITED)**

	Twelve Months Ended	
	December 30, 2018	December 31, 2017
<b>Cash flows provided by (used in) operating activities</b>		
Net loss	\$ (1,343,958)	\$ (5,538,180)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	1,779,338	1,451,207
Impairment and (gain) loss on asset disposals	(478,652)	2,568,189
Realized gain on sale-leaseback	(29,372)	(14,686)
Share based compensation	-	58,479
Deferred income taxes	(19,915)	75,585
Changes in operating assets and liabilities that provided (used) cash		
Accounts receivable	(79,730)	(93,658)
Inventory	108,350	114,063
Prepaid expenses	60,196	68,782
Intangible assets	401,500	-
Other long-term assets	-	-
Accounts payable	(271,044)	29,801
Accrued liabilities	(399,498)	432,451
Deferred rent	(417,998)	(210,701)
<b>Net cash provided by (used in) operating activities</b>	<b>(690,783)</b>	<b>(1,058,668)</b>
<b>Cash flows from investing activities</b>		
Disposal of property and equipment	390,896	177,317
Purchases of property and equipment	-	(12,587)
<b>Net cash used in investing activities</b>	<b>390,896</b>	<b>164,730</b>
<b>Cash flows from financing activities</b>		
Cash contributed by Parent upon Spin off	-	-
Treasury Stock Split Buy Back	(68,025)	-
<b>Net cash provided by financing activities</b>	<b>(68,025)</b>	<b>-</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(367,912)</b>	<b>(893,938)</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>864,239</b>	<b>1,818,813</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 496,327</b>	<b>\$ 924,875</b>

**BAGGER DAVE'S BURGER TAVERN, INC.**  
**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Nature of Business*

Bagger Dave's is a unique, full-service, ultra-casual restaurant and bar concept. We have worked to create a concept that provides a warm, inviting and entertaining atmosphere through a friendly and memorable guest experience.

Bagger Dave's specializes in locally-sourced, fresh prime rib recipe burgers, all-natural lean turkey burgers, hand-cut fries, locally crafted beers on draft, hand-dipped milk shakes, salads, black bean turkey chili and much more, delivered in a warm, hip atmosphere with friendly "full" service. The concept differentiates itself from other full-service casual dining establishments by the absence of walk-in freezers and microwaves, substantiating our fresh food offerings. The concept focuses on local flair of the city in which the restaurant resides by showcasing historical photos. Running above the dining room and bar, the concept features an electric train; a feature which was the genesis of Bagger Dave's logo.

The Company headquarters are located at 807 W. Front St., Suite B, Traverse City, MI 49684. We can also be found on the Internet at [www.baggerdaves.com](http://www.baggerdaves.com).

We follow accounting standards set by the Financial Accounting Standards Board ("FASB"). The FASB sets generally accepted accounting principles in the United States of America ("GAAP") that we follow to ensure we consistently report our financial condition, results of operations, and cash flows. References to GAAP issued by the FASB in these footnotes are to the FASB Accounting Standards Codification ("ASC").

On August 4, 2016, Diversified Restaurant Holdings, Inc. ("DRH" or "the Parent") announced that its Board of Directors unanimously approved a plan to pursue a tax-free Spin-off of its Bagger Dave's business (the "Spin-off"). DRH originated the Bagger Dave's concept with the first restaurant opening in January 2008 in Berkley, Michigan. As of December 30, 2018, there were 9 Bagger Dave's restaurants in operation, six in Michigan, one in Indiana and two in Ohio.

*Basis of Presentation*

These consolidated financial statements include the accounts of Bagger Dave's Burger Tavern, Inc. and its wholly owned subsidiaries. All intercompany transactions and balances have been eliminated.

*Fiscal Year*

The Company utilizes a 52- or 53-week accounting period that ends on the last Sunday in December. Fiscal year 2017 ended on December 31, 2017 and fiscal year 2018 ended on December 30, 2018. Fiscal year 2017 was comprised of 53 weeks, while fiscal year 2018 is comprised of 52 weeks. The fiscal quarter ended December 30, 2018 comprised of 13 weeks and December 31, 2017 comprised of 14 weeks.

*Management's Plan Regarding Going Concern*

In 2018 we closed six underperforming stores which will save approximately \$400 thousand and will generate cash flow from asset sales and subleasing. We also have instituted additional cost savings at the restaurant level which we anticipate to save about \$200 thousand. Finally, we anticipate General and Administrative cost savings due to becoming an Alternative Reporting Company and from the reduced corporate overhead from the 2018 store closings. Therefore, we expect to achieve about \$1.8 million in annual savings beginning in 2018. While we will continue to identify and implement cost cuts, we believe that cost cutting and concept development measures will enable us to generate enough cash to sustain operations for the next twelve months.

### *Cash and Cash Equivalents*

Cash and cash equivalents consist of cash on hand and demand deposits in banks. The Company considers all highly-liquid investments purchased with original maturities of three months or less to be cash and cash equivalents. The Company, at times throughout the year, may, in the ordinary course of business, maintain cash balances in excess of federally-insured limits. Management does not believe the Company is exposed to any unusual risks on such deposits.

### *Accounts Receivable*

Accounts receivable primarily consist of amounts owing from credit card charges. There was no allowance for doubtful accounts necessary at December 30, 2018 or December 31, 2017.

### *Gift Cards*

The Company records Bagger Dave's gift card sales as a gift card liability when sold. When redeemed, the gift card liability account is offset by recording the transaction as revenue. Michigan law states that gift cards cannot expire and any post-sale fees cannot be assessed until 5 years after the date of gift card purchase by the consumer. The Company believes its historical breakage percentage is approximately 15 percent. Furthermore, based on historical redemption patterns the Company believes that the redemption of gift cards from closed locations is immaterial. Therefore, gift card liability is adjusted for breakage based on redemptions of gift cards at continuing operations and for unredeemed gift cards from closed locations. Breakage income is recognized for this adjustment. In the process of calculating its historical breakage percentage and the breakage associated with closed locations.

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09 "Revenue with Contracts from Customers (Topic 606)." This pronouncement is effective for years beginning after December 15, 2017. Based on our review of the pronouncement, the only application is to gift card breakage. Breakage will be recognized as gift cards are redeemed. The cumulative effect of breakage related to periods before the effective date is \$92,814 (retrospective method). Under the pronouncement this amount is recognized in the current year. The effect of breakage in the current year is \$17,084. The breakage related to closed locations is \$70,960.

The Company's gift card liability was \$97,826 and \$296,544 as of December 30, 2018 and December 31, 2017 respectively, and is included in other accrued liabilities on the Consolidated Balance Sheets.

### *Inventory*

Inventory consists mainly of food and beverage products and is accounted for at the lower of cost or market using the first in, first out method of inventory valuation. Cash flows related to inventory sales are classified in net cash used by operating activities in the Consolidated Statements of Cash Flows.

### *Prepaid Assets and Other Long-Term Assets*

Prepaid assets consist principally of prepaid rent, insurance and contracts and are recognized ratably as operating expense over the period of future benefit. Other long-term assets consist primarily of security deposits for operating leases and utilities.

### *Property and Equipment*

Property and equipment are recorded at cost. Buildings, which includes buildings on leased land, are depreciated using the straight-line method over the shorter of the term of the lease or its estimated useful life, which ranges from 10-39 years. Equipment and furniture and fixtures are depreciated using the straight-line method over the estimated useful lives of the assets, which range from three to seven years. Leasehold improvements, which include the cost of improvements funded by landlord incentives or allowances, are

amortized using the straight-line method over the lesser of the term of the lease, with consideration of renewal options if renewals are reasonably assured because failure to renew would result in an economic penalty, or the estimated useful lives of the assets, which is typically five - 15 years. Maintenance and repairs are expensed as incurred. Upon retirement or disposal of assets, the cost and accumulated depreciation are eliminated from the respective accounts and the related gains or losses are credited or charged to earnings.

The Company capitalizes items associated with construction but not yet placed into service, known as construction in progress (“CIP”). Items capitalized include fees associated with the design, build out, furnishing of the restaurants, leasehold improvements, construction period interest (when applicable), equipment, and furniture and fixtures. Restaurant CIP is not amortized or depreciated until the related assets are placed into service. Items are placed into service according to their asset category when the restaurant is open for service.

### ***Intangible Assets***

Amortizable intangible assets consist of trademarks and are stated at cost, less accumulated amortization. The trademarks are amortized on a straight-line basis over the estimated useful life of 15 years.

Liquor licenses, also a component of intangible assets, are deemed to have an indefinite life and, accordingly, are not amortized. Management reviews liquor license assets on an annual basis (at year-end) to determine whether carrying values have been impaired. We identify potential impairments for liquor licenses by comparing the fair value with its carrying amount. If the fair value exceeds the carrying amount, the liquor licenses are not impaired. If the carrying amount exceeds the fair value, an impairment loss is recorded for the difference. There were no impairments recognized in the fiscal quarters ended December 30, 2018 and December 31, 2017.

### ***Treasury stock***

Treasury stock purchases are accounted for under the cost method whereby the entire cost of the acquired stock is recorded as treasury stock. Gains and losses on the subsequent reissuance of shares are credited or charged to paid-in capital in excess of par value using the average-cost method.

### ***Impairment or Disposal of Long-Lived Assets***

We review long-lived assets quarterly to determine if triggering events have occurred which would require a test to determine if the carrying amount of these assets may not be recoverable based on estimated future cash flows. Assets are reviewed at the lowest level for which cash flows can be identified, which is at the individual restaurant level. In the absence of extraordinary circumstances, restaurants are included in the impairment analysis after they have been open for two years. We evaluate the recoverability of a restaurant’s long-lived assets, including buildings, intangibles, leasehold improvements, furniture, fixtures, and equipment over the remaining life of the primary asset in the asset group, after considering the potential impact of planned operational improvements, marketing programs, and anticipated changes in the trade area. In determining future cash flows, significant estimates are made by management with respect to future operating results for each restaurant over the remaining life of the primary asset in the asset group. If assets are determined to be impaired, the impairment charge is measured by calculating the amount by which the asset carrying amount exceeds its fair value based on our estimate of discounted future cash flows. The determination of asset fair value is also subject to significant judgment. Refer to Note 2 for additional information.

We account for exit or disposal activities, including restaurant closures, in accordance with ASC Topic 420, *Exit or Disposal Cost Obligations*. Such costs include the cost of disposing of the assets as well as other facility-related expenses from previously closed restaurants. These costs are generally expensed as incurred. Additionally, at the date we cease using a property under an operating lease, we record a liability for the net present value of any remaining lease obligations, net of estimated sublease income. Any subsequent adjustments to that liability as a result of lease termination or changes in estimates of sublease income are recorded in the period incurred. Refer to Note 2 for additional information.

Impairments totaling \$0 million and \$0.5 million were recognized in the fiscal quarters ended December 30, 2018 and December 31, 2017. Impairments totaling \$0 million were recognized in the twelve months ended December 30, 2018, and \$3.1 million impairments were recognized in the twelve months ended December 31, 2017.

### ***Deferred Rent***

Certain operating leases provide for minimum annual payments that increase over the life of the lease. Typically, our operating leases contain renewal options under which we may extend the initial lease terms for periods of five to 10 years. The aggregate minimum annual payments are expensed on a straight-line basis commencing when we gain control and extending over the term of the related lease, including option renewals as deemed reasonably assured. The amount by which straight-line rent exceeds actual lease payment requirements in the early years of the lease is accrued as deferred rent liability and reduced in later years when the actual cash payment requirements exceed the straight-line expense. The Company also accounts, in its straight-line computation, for the effect of any “rental holidays”, “free rent periods”, and “landlord incentives or allowances”.

### ***Deferred Gains***

Deferred gains on the sale leaseback transaction described in Note 3, are recognized as a reduction of rent expense over the life of the related operating lease agreements.

### ***Revenue Recognition***

Revenues from food and beverage sales are recognized and generally collected at the point of sale. All sales taxes are presented on a net basis and are excluded from revenue.

### ***Advertising***

Advertising expenses of \$0.05 million and \$0.27 million are included in general and administrative expenses in the Consolidated Statements of Operations for the fiscal quarters ended December 30, 2018 and December 31, 2017, respectively. Advertising expenses of \$0.19 million and \$0.70 million are included in general and administrative expenses in the Consolidated Statements of Operations for the twelve months ended December 30, 2018 and December 31, 2017, respectively.

### ***Pre-opening Costs***

Pre-opening costs are those costs associated with opening new restaurants and will vary based on the number of new locations opening and under construction. The Company also reclassifies labor costs that exceed the historical average for the first three months of restaurant operations that are attributable to training. These costs are expensed as incurred. Pre-opening costs of \$0 million and \$0 million are included in the Consolidated Statements of Operations for the three months ended December 30, 2018 and December 31, 2017, respectively. Excess labor cost incurred after restaurant opening and included in pre-opening cost were approximately \$0 million and \$0 million for the twelve months ended December 30, 2018 and December 31, 2017, respectively.

### ***Income Taxes***

Deferred income tax assets and liabilities are computed for differences between the financial statement and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future, based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. Income tax expense (income) is the tax payable or refundable for the period plus or minus the change during the period in deferred tax assets and liabilities.

The Company applies the provisions of FASB ASC 740, *Income Taxes*, (“ASC 740”) regarding the accounting for uncertainty in income taxes. The Company classifies all interest and penalties as income tax expense. There are no accrued interest amounts or penalties related to uncertain tax positions as of December 30, 2018 and December 31, 2017.

### *Use of Estimates*

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

### *Recent Accounting Pronouncements*

In August 2016, the FASB issued ASU 2016-15, “*Statement of Cash Flows: Classification of Certain Cash Receipts and Payments*.” ASU 2016-15 provides guidance on eight specific cash flow issues with the objective of reducing diversity in practice. The guidance is effective for interim and annual periods beginning after December 15, 2017. We do not believe the pronouncement materially impacts our consolidated financial statements.

In February 2016, FASB issued ASU 2016-02, *Leases*, ASU 2016-02 requires that lease arrangements longer than 12 months’ result in a lessee recognizing a lease asset and liability. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The updated guidance is effective for interim and annual periods beginning after December 15, 2018, and early adoption is permitted. We believe the adoption of ASU 2016-02 will materially impact our consolidated financial statements by significantly increasing our non-current assets and our non-current liabilities on our consolidated balance sheet as it will require us to record the right of use assets and the related lease liabilities for our existing operating leases. We are currently unable to estimate the impact of the updated guidance on our consolidated financial statements.

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09 “*Revenue with Contracts from Customers (Topic 606)*.” ASU 2014-09 supersedes the current revenue recognition guidance, including industry-specific guidance. The guidance introduces a five-step model to achieve its core principal of the entity recognizing revenue to depict the transfer of goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In March 2016, the FASB issued ASU 2016-04, “*Liabilities - Extinguishments of Liabilities: Recognition of Breakage for Certain Prepaid Stored-Value Products*.” ASU 2016-04 provides specific guidance for the de-recognition of prepaid stored-value product liabilities. In March 2016, the FASB issued ASU 2016-08, “*Revenue from Contracts with Customers: Principal versus Agent Considerations (Reporting Revenue Gross versus Net)*.” ASU 2016-08 provides specific guidance to determine whether an entity is providing a specified good or service itself or is arranging for the good or service to be provided by another party. In April 2016, the FASB issued ASU 2016-10, “*Revenue from Contracts with Customers: Identifying Performance Obligations and Licensing*.” ASU 2016-10 provides clarification on the subjects of identifying performance obligations and licensing implementation guidance.

The requirements for these standards relating to Topic 606 will be effective for interim and annual periods beginning after December 15, 2017. We believe that the new revenue recognition standards do not materially

impact the recognition of restaurant sales, our primary source of revenue. We believe that the standard impacts accounting for gift card breakage as described in the Gift Card note, above. We adopted the retrospective method in applying this pronouncement.

We reviewed all other significant newly-issued accounting pronouncements and concluded that they either are not applicable to our operations or that no material effect is expected on our consolidated financial statements as a result of future adoption.

## 2. IMPAIRMENTS, DISPOSALS AND EXIT COSTS

Based on impairment indicators that existed at December 30, 2018, the Company performed an impairment analysis on its long-lived assets subject to amortization. \$0 million of long-lived assets were deemed to be impaired for the twelve months ended December 30, 2018. Impairment charges are recorded to the extent that the carrying amount of the assets are not considered recoverable based on the estimated future cash flows of the location. The impairment charges are included in impairment and loss on asset disposals on the Consolidated Statements of Operations.

We are currently monitoring the valuation of long-lived assets at several restaurants and have developed plans to improve operating results. As we periodically refine our estimated future operating results, changes in our estimates and assumptions may cause us to realize impairment charges in the future that could be material.

On January 7, 2018, five locations (Shelby Township, MI, East Lansing MI, Canton, MI, Traverse City, MI, and Grand Rapids, MI) were closed. The assets for these locations were fully impaired as of December 31 2017. In March 11, 2018 an additional location in Bloomfield Hills, MI was closed. The assets for this location were fully impaired as of December 31, 2017. There is no store closure liability recorded at December 30, 2018 as all such liabilities had been paid on or prior to that date. The balance sheet dated December 30, 2018 reflects a store closure liability of \$0.05 million in Other accrued liabilities in the current liabilities section of the balance sheet.

## 3. PROPERTY AND EQUIPMENT, NET

Property and equipment are comprised of the following:

	<u>December 30, 2018</u>	<u>December 31, 2017</u>
Buildings	1,672,568	1,672,568
Equipment	3,456,299	3,456,299
Furniture and fixtures	1,015,811	1,015,811
Leasehold improvements	8,755,918	8,755,918
<b>Total</b>	<b>14,900,596</b>	<b>14,900,596</b>
Less accumulated depreciation	(7,330,765)	(5,556,131)
<b>Property and equipment, net</b>	<b>\$ 7,569,831</b>	<b>\$ 9,344,466</b>

Depreciation expense was \$0.4 million and \$0.4 million during the quarters ended December 30, 2018 and December 31, 2017, respectively. Depreciation expense was \$1.8 million and \$1.8 million during the twelve months ended December 30, 2018 and December 31, 2017, respectively.

### *Sale leaseback transactions*

On October 6, 2014, the Company entered into a sale leaseback agreement for \$8.9 million with a third-party Real Estate Investment Trust ("REIT"). The arrangement included the sale of real estate on which six Bagger

Dave's locations operate. In the fourth quarter of 2014, we closed the sale of five of the six properties, with total proceeds of \$6.9 million. We closed the sale of the remaining property in June 2015 with total proceeds of \$2.0 million. Pursuant to the terms of each sale-leaseback transaction, we transferred title of the real property to the purchaser after final inspection and, in turn, entered into separate leases with the purchaser having a 15-year basic operating lease term plus four separate 5-year renewal options. Certain of the sale leaseback arrangements resulted in a gain which has been deferred. As of December 30, 2018, \$0.03 million of the deferred gain was recorded in Other accrued liabilities and \$0.3 million of the deferred gain was recorded in Other liabilities on the Consolidated Balance Sheets. As of December 30, 2017, \$0.03 million of the deferred gain was recorded in Other accrued liabilities and \$0.3 million of the deferred gain was recorded in Other liabilities on the Consolidated Balance Sheets. The gains will be recognized into income as an offset to rent expense over the life of the related lease agreements.

#### 4. INTANGIBLE ASSETS

Intangible assets are comprised of the following:

	<b>December 30, 2018</b>	<b>December 31, 2017</b>
<b>Amortized intangible assets</b>		
Trademarks	\$ 70,576	\$ 70,576
Less accumulated amortization	(28,312)	(23,607)
<b>Amortized intangible assets, net</b>	<b>42,264</b>	<b>46,969</b>
<b>Unamortized intangible assets</b>		
Liquor licenses	200,731	514,474
<b>Total intangible assets, net</b>	<b>\$ 366,462</b>	<b>\$ 561,443</b>

Amortization expense for the quarters ended December 30, 2018 and December 31, 2017 was \$1,176 and \$1,048, respectively. Amortization expense for the twelve months ended December 30, 2018 and December 31, 2017 was \$4,705 and \$4,705, respectively.

Based on the current intangible assets and their estimated useful lives, future intangible-related expense for the next five years and thereafter is projected as follows:

<b>Year</b>	<b>Amount</b>
2019	\$4,705
2020	4,705
2021	4,705
2022	4,705
2023	4,705
Thereafter	18,739
<b>Total</b>	<b>\$ 42,264</b>

The aggregate weighted-average amortization period for intangible assets is 10 years.



## 5. OTHER ACCRUED LIABILITIES, CURRENT

	<u>December 30, 2018</u>	<u>December 31, 2017</u>
Gift card liability	\$ 97,826	\$ 296,544
Sales tax payable	56,750	95,980
Store closure liability	54,445	127,480
Other	47,279	40,605
<b>Total accrued other liabilities</b>	<u>\$ 256,300</u>	<u>\$ 560,609</u>

## 6. RELATED PARTY TRANSACTIONS

In connection with the Spin-Off described in Note 1, the Company entered into a transition services agreement (the "TSA") with DRH pursuant to which DRH will provide certain information technology and human resource support, limited accounting support, and other administrative functions at no charge. The TSA is intended to assist the Company in efficiently and seamlessly transitioning to operating on its own. The TSA expired on December 31, 2017 at which time the parties may negotiate which services will be required on an on-going basis and the fees that will be charged for such services. Additionally, as of the date of this filing, DRH is listed as the guarantor on 10 of the 14 Bagger Dave's leases. The guarantees range from one month to 12 years and total approximately \$4.5 million as of December 30, 2018.

## 7. STOCK BASED COMPENSATION

On January 21, 2017, the Board of Directors approved the 2017 Stock Option and Restricted Stock Plan ("the Plan"). The persons eligible to receive awards under the Plan are the employees, directors and consultants of the Company and its affiliates. The Plan was intended to provide a means by which eligible recipients may be given an opportunity to benefit from increases in value of the Company's Common Stock through the granting of the following: (i) Incentive Stock Options, (ii) Nonqualified Stock Options, (iii) Stock awards (iv) Rights to acquire restricted stock, and (v) stock appreciation rights. The Company could reserve up to 10,000,000 shares of its Common Stock for issuance under this plan. Vesting provisions of up to three years will apply to any and all awards.

As of December 31, 2017, 652,500 restricted shares were issued to certain team members under the Plan at a weighted-average grant date fair value of \$.19. As of December 31, 2017 the plan was discontinued and no further shares will vest or be issued. Therefore, there is no stock option expense in 2018.

## 8. INCOME TAXES

The effective income tax rate for the quarter ended December 30, 2018 and December 31, 2017 was -2% and -2%, respectively, and, for the twelve month periods ended December 30, 2018 and December 31, 2017 was -1% and .8%, respectively due to the Company recording a full valuation allowance on its deferred tax assets. The valuation allowance was recorded due to our recent years' history of losses.

## 9. OPERATING LEASES

The Company's lease terms generally include renewal options, and frequently require us to pay a proportionate share of real estate taxes, insurance, common area maintenance, and other operating costs. Some restaurant leases provide for contingent rental payments based on sales thresholds.

Total rent expense was \$0.23 million and \$0.32 million for the fiscal quarters ended December 30, 2018 and December 31, 2017, respectively. Total rent expense was \$0.91 million and \$1.58 million for the twelve months ended December 30, 2018 and December 31, 2017, respectively.

Scheduled future minimum lease payments for each of the next five years and thereafter for non-cancelable operating leases for existing restaurants with initial or remaining lease terms in excess of one year at December 30, 2018 are summarized as follows:

<b>Year</b>	<b>Amount</b>
2019	\$ 773,397
2020	704,581
2021	711,464
2022	712,314
2023	712,314
Thereafter	5,171,030
<b>Total</b>	<b>\$ 8,785,100</b>

## **10. TREASURY STOCK**

The Company's Board of directors from time to time has authorized the repurchase of shares of the Company's common stock, in the open market or through negotiated transactions, at such times and at such prices as management may decide. In the year ended December 30, 2018, the Company acquired 219,434 shares of its common stock at a price of \$.31 per share, or \$68,025 increase in Treasury Stock.

## **11. COMMITMENTS AND CONTINGENCIES**

Bagger Dave's sponsors a defined contribution 401(k) plan whereby eligible team members can contribute pre-tax wages in accordance with the provisions of the plan. Bagger Dave's has the option to make an annual discretionary contribution to the 401(k) plan. No match was made during the three months ended December 31, 2018.

The Company is subject to ordinary and routine legal proceedings, as well as demands, claims and threatened litigation, which arise in the ordinary course of its business. The ultimate outcome of any litigation is uncertain. We have insured and continue to insure against most of these types of claims. A judgment on any claim not covered by or in excess of our insurance coverage could materially adversely affect our financial condition or results of operations.

## **12. SUPPLEMENTAL CASH FLOWS INFORMATION**

### **Other Cash Flows Information**

No cash paid for interest during the three months ended December 30, 2018 and December 31, 2017 respectively.

No cash paid for income taxes during the three months ended December 30, 2018 and December 31, 2017 respectively.